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LETTER DATED 18 AUGUST 1998 FROM THE PERMANENT REPRESENTATIVE OF IRAQ TO THE UNITED NATIONS ADDRESSED TO THE SECRETARY-GENERAL

On instructions from my Government, I have the honour to transmit to you herewith a letter dated 17 August 1998 from Mr. Mohammed Said Al-Sahaf, Minister for Foreign Affairs of the Republic of Iraq. It concerns the irresponsible practices of the representatives of the United States of America and the United Kingdom in the Security Council Committee established by resolution 661 (1990), which have had the effect of impeding the processing and approval of contracts for the purchase of spare parts and supplies for the oil sector and consequently of reducing Iraq's anticipated revenues for phase IV of the oil-for-food programme.

I should be grateful if you would have the present letter and its annex circulated as a document of the Security Council.

(Signed) Nizar HAMDOON
Ambassador
Permanent Representative

Annex

Letter dated 17 August 1998 from the Minister for Foreign Affairs of Iraq addressed to the Secretary-General

Following your visit to Baghdad and your meeting with Mr. Taha Yasin Ramadan, Vice-President of the Republic of Iraq, on the morning of Monday, 23 February 1998, we addressed to you a letter dated 25 February 1998 in which we set forth the most important of the substantive points that had been made by the Vice-President. One major point was the critical condition of infrastructure for the production, processing and transportation of Iraqi oil, which was such that it was not possible under any circumstances, given the sharp drop in the price of oil, to guarantee its ability to increase production sufficiently to realize the increased sum of 5.2 billion dollars stipulated in resolution 1153 (1998) without the rapid allocation of funds for the repair of such infrastructure. We also stated in that letter that, even in the event that spare parts and supplies for the repair of production, processing and exportation infrastructure became available quickly, we would not be able to realize the total mentioned and the value of exports would perhaps be between 3 and 3.5 billion dollars. In addition to the allocation of sufficient sums to cover the cost of spare parts, we also asked that the 661 Committee should give sufficient attention to facilitating the approval of contracts relating to the requirements of the oil-related infrastructure.

Since that time, a technical team came to Iraq from the Saybolt company, and it submitted a report to you in early April 1998 which you transmitted to the Security Council with your report dated 15 April 1998 (S/1998/330, annex). In both reports, the Security Council was assured that the quantities of spare parts and supplies being sought in order to maintain and increase production represented the reasonable minimum, and it was noted that the production levels determined by Iraq were optimistic even if supplies were made available on schedule.

Nearly three months have passed since the fourth (enhanced) procurement and distribution plan took effect, and nearly two months since the adoption of Security Council resolution 1175 (1998). However, no decision has yet been reached in the 661 Committee on a procedure for the rapid approval of contracts for the purchase of spare parts and supplies for the oil sector and no method has been adopted for financing these contracts against assured future revenues, despite the fact that specific provision is made for these two measures in paragraphs 2 and 4 of resolution 1175 (1998). In the meantime, even before the adoption of that resolution, the relevant agencies of the Iraqi Ministry of Oil had concluded more than 50 contracts, valued at some 30 million dollars, with suppliers. Immediately the resolution was adopted, the companies concerned registered the contracts with the secretariat of the 661 Committee. At the moment, more than 37 contracts have thus accumulated with the Committee secretariat, and it subjects them to the same old regular, routine and plodding mechanism for registration, circulation and approval. No special, rapid mechanism has been developed to process these contracts, as requested by the Council in its resolution 1175 (1998). This is because of the intransigent position taken by the representatives of the United States and the United

Kingdom in the 661 Committee, who do everything in their power to obstruct agreement on the use of a mechanism that accords with the provisions of the resolution. The following list shows the status of the contracts in question as of 14 August 1998:

Registered with the Committee secretariat:	37
Circulated to Committee members:	14
Approved by the Committee:	7
Placed on hold by the representative of the United States:	5

The irresponsible practices in which these two representatives engage not only obstruct the work of the 661 Committee but also cause great delay in the provision of the spare parts and supplies required for the repair and maintenance of production, processing and transportation infrastructure. When these tendentious practices and the delayed performance of contracts coincide with a continuing collapse in crude-oil prices on the world market, the inevitable result is to reduce Iraq's anticipated revenues for phase IV to around 3 billion dollars at best. This will force the relevant agencies of the Iraqi Ministry of Oil to reduce the quantities stipulated in oil contracts already concluded, because those quantities were determined in the expectation that the spare parts and supplies required would be delivered on schedule. It will also have an adverse impact on the quantities of humanitarian goods and supplies for which contracts have already been concluded, thus making it uncertain whether the enhanced procurement and distribution plan can be implemented. Failure to implement the plan would be incompatible with the purposes of resolution 1153 (1998), in which the Council endorses your recommendations for the mitigation of the grievous humanitarian situation in which our people finds itself.

Responsibility for this reduction in revenues falls on the Governments of the United States and the United Kingdom, because they are violating the letter and spirit of resolutions 1153 (1998) and 1175 (1998). Since efforts to address this question first began in February 1998, these two Governments have constantly striven to oppose the endeavours of the other members of the 661 Committee to elaborate a formula or procedure that would help to expedite the processing of contracts and the provision of spare parts and supplies to the oil sector.

The Government of the Republic of Iraq, in bringing these facts to your attention, urges you to intervene directly with the representatives of the United States and the United Kingdom with a view to inducing them to desist from obstructing the processing of contracts for the purchase of spare parts and supplies for the oil sector and opposing the introduction of the necessary

mechanism for the immediate financing of these contracts against assured future revenues in accordance with the provisions of resolution 1175 (1998).

(Signed) Mohammed Said AL-SAHHAF
Minister for Foreign Affairs
of the Republic of Iraq